

## Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BRUSSELS

AMEMBASSY OTTAWA

AMEMBASSY COPENHAGEN

AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY LONDON

AMEMBASSY BERN

C O N F I D E N T I A L STATE 223934

BRUSSELS ALSO FOR USEEC

FOLLOWING TELEGRAM FROM PARIS DATED SEPTEMBER 9, 1977

SENT SECSTATE WASHDC INFO USUN NEW YORK, GENEVA IS REPEATED  
TO YOU: QUOTE

C O N F I D E N T I A L PARIS 26263

USOECD

E.O. 11652: GDS

TAGS: OECD, UNGA, CIEC

SUBJECT: XCSS "BUREAU" MEETING SEPTEMBER 8

SUMMARY: XCSS "BUREAU" MEETING WAS HELD SEPT. 8 AT  
U.S. REPRESENTATIVE'S RESIDENCE. ATTENDING WERE:  
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BELGIUM (JOSEPH TROUVEROY); CANADA (MICHAEL BERRY),  
DENMARK (OTTO MOELLER), FRANCE (HENRI FROMENT-MEURICE),  
GERMANY (HELGA STEEG), ITALY (GIUSEPPE JACOANGELI),  
JAPAN (AMB. HIRAHARA), UK (MICHAEL BUTLER), SWITZERLAND  
(PAUL JOLLES, CHAIRMAN), EC (MANFRED CASPARI); OECD  
(VAN LENNEP AND GERARD ELDIN). MEETING INCLUDED  
DISCUSSION ON TACTICS ON NORTH/SOUTH AT THE RESUMED  
31ST SESSION OF THE UN GENERAL ASSEMBLY; SUBSTANCE  
OF A DC PROPOSAL FOR A COMMON FUND AND TACTICS AT  
THE NOVEMBER NEGOTIATING SESSION; AND DISCUSSION ON

DEBT, ENERGY, TRADE AND THE MONITORING OF THE IMPLEMENTATION CIEC SPECIAL ACTION PROGRAM. THE MEETING CLOSED WITH A BRIEF DISCUSSION OF THE FUTURE WORK PROGRAM WITHIN THE XCSS MANDATE. THE NEXT XCSS MEETING WAS SET FOR OCTOBER 4, JUST PRIOR TO IEA MINISTERIAL MEETING. END SUMMARY.

#### UNGA TACTICS ON NORTH/SOUTH

IN DISCUSSION ON THE RESUMED 31ST US GENERAL ASSEMBLY, THE XCSS "BUREAU" REACHED GENERAL AGREEMENT THAT THE DEVELOPED COUNTRIES COULD NOT ACCEPT A MORE NEGATIVE, LESS BALANCED JUDGMENT ON CIEC THAN THAT WHICH WAS AGREED AT THE JUNE MINISTERIAL AND LATER CONFIRMED BY MEMBER COUNTRIES AT OECD MINISTERIAL. WHILE AGREEING THAT SPECIFIC TACTICS SHOULD BE LEFT TO MISSIONS IN NEW YORK, THEY NOTED THAT THE LATEST LDC PROPOSED DRAFT RESOLUTION ON CIEC IS UNACCEPTABLE, AND THAT IT WILL PROBABLY BE DESIRABLE TO INTRODUCE A COUNTERDRAFT WHEN NEGOTIATIONS BEGIN IN NEW YORK NEXT WEEK. U.S. DELEGATE INFORMED GROUP THAT A DRAFT WAS CURRENTLY UNDER WAY IN WASHINGTON WHICH COULD BE TABLED IN TIME FOR THE RESUMED SESSION.  
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ON QUESTION OF NORTH/SOUTH OVERVIEW, U.S. DELEGATES SAID THAT LATEST G-77 DRAFT RESOLUTION SUGGESTED THAT VENEZUELAN PROPOSAL FOR A SPECIAL ECONOMIC COMMITTEE HAD VIRTUALLY NO G-77 SUPPORT. PARAS 8 AND 9 OF G-77 DRAFT -- GIVING OVERVIEW RESPONSIBILITY TO THE GENERAL ASSEMBLY AND ECOSOC -- SEEM BROADLY ACCEPTABLE. IT WAS GENERALLY AGREED, HOWEVER, THAT THE NEW LDC PROPOSAL (PARA 10) GOES TOO FAR IN ENVISIONING A ROLE FOR UNCTAD IN REVIEWING NORTH/SOUTH RELATIONS.

UK DELEGATE (MICHAEL BUTLER) EXPRESSED GREAT CONCERN, SHARED BY OTHER DELEGATES, THAT REFERENCES IN THE G-77 DRAFT TO THE NEW INTERNATIONAL ECONOMIC ORDER (NIEO) WERE UNACCEPTABLE. PARA 6 OF G-77 DRAFT SUGGESTS THAT IT IS ONLY THE DEVELOPED COUNTRIES THAT SHOULD RECONSIDER THEIR POSITION ON THE NIEO AND THAT THE DEVELOPING COUNTRIES HAVE NO RESPONSIBILITY FOR HELPING TO RESHAPE AN EVOLVING NIEO CONCEPT, PARA 12 REQUESTS THE SECRETARY GENERAL TO PUBLICIZE THE NIEO AND IMPLIES THAT WE ALREADY HAVE AN AGREED CONCEPTION OF THE NIEO WHICH IS SUSCEPTIBLE TO BEING PUBLICIZED. PARA 2 IS UNACCEPTABLE IN SAYING THAT CIEC FAILED TO REACH ANY AGREEMENTS WHICH COULD CONTRIBUTE TO THE ESTABLISHMENT OF THE NIEO. THIS IGNORES PROGRESS MADE ON THE COMMON FUND ISSUE.

RESPONSE TO A U.S. PROPOSAL FOR CAUCUS OF EMBER

COUNTRIES TO DISCUSS CIEC TACTICS IN NEW YORK OF MEMBER COUNTRIES MET WITH MIXED REACTIONS FROM MEMBERS. WITH ASSURANCES FROM U.S. DELEGATE THAT SUCH CAUCUS WOULD BE LIMITED TO THE RESUMED 31ST SESSION AND FOR TACTICS PERTAINING TO THE NORTH/SOUTH RESOLUTION, THERE WAS SOME AGREEMENT THAT WITHIN THE G-8 CONTEXT IT WOULD BE USEFUL. COORDINATION HOWEVER SHOULD CONSIST ONLY OF ASSURING THAT INDIVIDUAL COUNTRIES SAID NOTHING  
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DIFFERENT FROM WHAT WAS SAID AT CIEC. PROPOSAL WILL BE REPORTED TO CAPITALS FOR FURTHER REACTION.

THE CANADIAN DELEGATE INDICATED THAT TO CANADA'S REGRET, DISCUSSIONS BETWEEN PEREZ-GUERRERO AND MCEACHEN HAD NOT RESULTED IN AGREEMENT ON A COMMON PRESENTATION, THAT EACH WOULD SPEAK ONLY FOR HIS DELEGATION.

RE POSSIBLE EAST BLOC PARTICIPATION IN NORTH/SOUTH RESOLUTION, THE FRENCH DELEGATE, BACK FROM RECENT DISCUSSIONS IN MOSCOW, REPORTED THAT MOSCOW WAS EMBARRASSED BY THE POSSIBILITY OF PARTICIPATION IN A RESOLUTION. THEY WOULD PREFER NO RESOLUTION ON NORTH/SOUTH. HIS IMPRESSION WAS THAT THE EAST WOULD NOT ALIGN ITSELF WITH THE LDC'S. IF A FINAL RESOLUTION TEXT HAS TOO MUCH ON CIEC, THEY WOULD ABSTAIN. IF NOT, THEY MIGHT BE ABLE TO GO ALONG.

COMMON FUND AND COMMODITIES

EXTENSIVE DISCUSSION CONCENTRATED ON SUBSTANCE OF A POSSIBLE INDUSTRIALIZED COUNTRY PROPOSAL FOR A COMMON FUND, TACTICS WITH REGARD TO THE NOVEMBER COMMON FUND NEGOTIATING SESSION, AND CURRENT PROSPECTS FOR FURTHER INDIVIDUAL COMMODITY AGREEMENTS.

ALL DELEGATIONS AGREED THAT IT WAS ESSENTIAL THAT INDUSTRIALIZED COUNTRIES HAVE A VIABLE, COHERENT PROPOSAL FOR A COMMON FUND AS A COUNTER TO THE G-77 PROPOSAL IN THE NOVEMBER NEGOTIATING SESSION. IT WAS AGREED THAT THE AD HOC GROUP CURRENTLY AT WORK ON THE COMMON FUND ISSUE SHOULD REMAIN THE PRINARY VEHICLE  
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FOR WORKING OUT TECHNICAL PROPOSALS. THE DISCUSSION REVEALED THAT VIRTUALLY ALL COUNTRIES NOW SEE A "POOLING" PROPOSAL WITH SOME SORT OF FINANCIAL BACK UP AS THEIR PREFERRED POSITION. U.S. DEL EXPLAINED THAT WE ARE LOOKING AT A NUMBER OF POSSIBILITIES FOR

FINANCIAL BACK UP TO THE INITIALLY POOLED DEPOSITS OF THE ICA'S INCLUDING POSSIBLE TIES TO THE IBRD AND COMMERCIAL BORROWING AGAINST CALLABLE CAPITAL PLEDGED BY THE ICA'S. HE NOTED THAT U.S. IS STILL EXAMINING THE POSSIBILITY OF AN OVERDRAFT FACILITY WHICH UNDER EXTRAORDINARY CONDITIONS COULD PROVIDE A SOURCE OF LIQUIDITY TO ICA'S OVER AND ABOVE THEIR ORIGINALLY PLEDGED FINANCIAL CONTRIBUTIONS, BUT HE STRESSED THAT THIS IS NOT AN IDEA TO WHICH THE U.S. IS NECESSARILY COMMITTED.

U.S. DEL ALSO STRESSED THAT KEY ISSUE IN THE COMMON FUND NEGOTIATIONS WILL BE THE QUESTION OF VOTING AND DECISION MAKING. THE ISSUE OF CONTROL IS OF AT LEAST EQUAL IMPORTANCE TO THE QUESTION OF WHAT THE COMMON FUND WILL DO, AND INDUSTRIALIZED COUNTRIES MUST HAVE A CAREFULLY THOUGHT OUT POSITION ON THIS.

ALL DELEGATIONS AGREED THAT IT IS OBVIOUSLY NOT POSSIBLE TO CONCEIVE OF THE CONCLUSION OF NEGOTIATIONS ON THE COMMON FUND IN THE NOVEMBER SESSION. HOWEVER VISIBLE PROGRESS MUST BE MADE ON CERTAIN KEY ISSUES OR THERE WILL BE AN ESCALATION OF POLITICAL RHETORIC. THE G-77 WILL STRESS MEASURES OTHER THAN POOLING AND U.S. DEL SUGGESTED THAT DEVELOPED COUNTRIES COULD CONSIDER SOME SUCH MEASURES BEING UNDERTAKEN BY ICA'S THEMSELVES OR BEING GIVEN RENEWED EMPHASIS IN CONNECTION WITH THE PROPOSED CAPITAL INCREASES OF THE IBRD. U.S. DEL FURTHER STRESSED THE IMPORTANCE OF BILATERAL CONTACTS WITH KEY LDC'S TO PREPARE THE GROUND FOR THE NOVEMBER SESSION. HE SAID THAT THE U.S. HAS IN FACT BEGUN SUCH CONFIDENTIAL

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CONSULTATIONS WITH THE ASEAN COUNTRIES AND PLANS FURTHER BILATERALS IN OCTOBER. IT WAS AGREED THAT THE SUBJECT OF PREPARATORY BILATERALS SHOULD BE ADDRESSED AT THE NEXT MEETING OF THE XCSS.

SEVERAL DELS NOTED THE IMPORTANCE OF PROGRESS IN THE UNCTAD NEGOTIATIONS ON INDIVIDUAL COMMODITIES. IT WAS GENERALLY AGREED THAT OF THE COMMODITIES NOW UNDER EXAMINATION, RUBBER OFFERS THE BEST PROSPECT FOR RELATIVELY EARLY AGREEMENT. SEVERAL DELEGATIONS NOTED THAT THE INDUSTRIALIZED COUNTRIES' POSITION ON THE COMMON FUND ISSUE WOULD BE SUBSTANTIALLY IMPROVED IF WE CAN BEGIN TO SHOW VISIBLE PROGRESS IN THE WORK ON INDIVIDUAL COMMODITIES.

DEBT

U.S. DELEGATE EXPLAINED DEBT QUESTION NEEDED TO BE LOOKED AT FROM TWO POINTS OF VIEW: 1) THOSE

COUNTRIES THAT LOOK TO GENERALIZED DEBT RELIEF IN ORDER TO OBTAIN TRANSFERS OF RESOURCES, AND 2) THOSE COUNTRIES THAT HAVE REAL DEBT MANAGEMENT PROBLEMS. IT WAS THE U.S. VIEW THAT DEBT WOULD HAVE TO BE DISCUSSED IN UNCTAD, BUT DISCUSSIONS THERE WOULD BE DOMINATED BY COUNTRIES SEEKING RESOURCE TRANSFERS. THEREFORE, U.S. WANTS TO DISCUSS U.S./EC DEBT PROPOSALS IN IMF/IBRD DEVELOPMENT COMMITTEE, WHERE DEBT MANAGEMENT PROBLEMS COULD BE DISCUSSED SERIOUSLY. OTHER DELEGATIONS (UK, EC, BELGIUM) WERE DOUBTFUL ABOUT DISCUSSING DEBT IN BOTH PLACES, BUT BECAME LESS SO WHEN U.S. POINTED OUT THAT A NUMBER OF DEVELOPING COUNTRIES WITH DEBT PROBLEMS FAVORED DISCUSSION IN CONFIDENTIAL

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DEVELOPMENT COMMITTEE.

ENERGY

U.S. DEL EXPLAINED THAT U.S. POSITION WAS TO TAKE A LOW PROFILE ON CONTINUING DIALOGUE ON ENERGY. IF RAISED BY G-77, U.S. WOULD EXPRESS INTEREST BUT WOULD NOT INITIATE DISCUSSIONS. UK POINTED OUT IT WOULD BE NECESSARY TO AVOID A NORTH/SOUTH OVERVIEW EXERCISE THAT WOULD INCLUDE ENERGY. U.S. POINTED OUT THAT IF SEPARATE ENERGY DIALOGUE COULD BE SET UP, THERE WOULD BE NO OBJECTION TO INCLUDING ENERGY ALSO IN OVERVIEW MECHANISM WITH OTHER NORTH/SOUTH ISSUES. THIS WAS GENERALLY AGREED.

TRADE

CHAIRMAN RAISED TRADE ISSUE AND GERMAN DEL RAISED QUESTION OF HOW TO DEAL WITH PREFERENTIAL TREATMENT OF LDC'S AND MTN. UK AND EC DELS STRESSED IMPORTANCE OF RECIPROCITY AND EXPRESSED CONCERNS ABOUT "OVER COMPETITIVE" LDC'S.

SPECIAL ACTION

BELGIAN DEL RAISED QUESTION OF MONITORING IMPLEMENTATION OF SPECIAL ACTION AGREED AT CIEC. BOTH DAC AND XCSS WERE MENTIONED AS POSSIBLE MONITORING MECHANISMS.

FUTURE WORK

CHAIRMAN REVIEWED MANDATE OF XCSS WHICH PROVIDES FOR OVERVIEW AND COORDINATION OF EXTERNAL POLICY ISSUES NOT ADEQUATELY DEALT WITH BY SEPARATE OECD COMMITTEES. CHAIRMAN AND SECRETARY GENERAL SUPPORTED BY GERMAN DEL INVITED DELEGATES TO CONSIDER POSSIBILITY OF XCSS  
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TAKING UP PROBLEMS OF STRUCTURAL ADJUSTMENT.  
SALAMAN UNQUOTE VANCE

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## Message Attributes

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